

City of Glendale Temporary Sales Tax Increase

~ What it means and how it will work ~

In June 2012, the Glendale City Council approved a temporary increase to the city sales tax. The revenue generated from this will go into the city's general operating budget, the General Fund, that provides funding for critical city services such as public safety and other areas like code compliance, libraries and parks and recreation.

How much is the difference?

Previous Sales Tax Rate
2.2%

vs.

Temporary Sales Tax Rate
2.9%

Cost of Item	Previous Sales Tax Rate	Temporary Sales Tax Increase
\$50	\$1.10 (\$51.10 total)	\$1.45 (\$51.45 total)
\$100	\$2.20 (\$102.20 total)	\$2.90 (\$102.90 total)

When does the temporary sales tax increase go into effect and for how long?

Since the new rate is temporary, it is only effective for five years. The temporary increase begins August 1, 2012 and automatically ends August 1, 2017.

When is the last time the city increased the general sales tax rate?

The last time Glendale increased the general sales tax rate was 20 years ago in 1993.

Glendale voters approved increases for police, fire and transportation initiatives in 1994, 2001 and 2007 dedicated only to those services.

Why did the city temporarily increase the city sales tax?

There are a number of reasons why the temporary sales tax is needed. **The biggest reason is because of the prolonged economic recession that has affected all of us, and cities are no different.**

For the past several years, substantially less revenue has come into the city in two distinct areas: sales tax revenue and state shared revenue, which is money that Glendale receives from the state of Arizona.

Both of these are major sources of funding that help pay for city services. In addition, Glendale has obligations for current programs and services, such as the city-owned Jobing.com Arena, a facility Glendale is required to operate and maintain.

For the current fiscal year, which began July 1, 2012 and ends June 30, 2013, the city had an estimated \$32 million budget deficit in the General Fund. Several months ago, the City Council conducted an extensive review of each department's budget, approving \$10 million in cuts. With those reductions, the deficit was reduced to approximately \$22 million. Additional cuts to the General Fund would seriously impact services the Council deemed priority: police, fire, and city court services. In order to balance the budget without impacting critical city services, additional revenue was needed. It is estimated the temporary sales tax increase will generate \$22 million to help balance the city's budget and will only stay in effect the next five years until the economic conditions improve.

Is Glendale the only city in the Valley to increase its sales tax rate since the economic downturn?

No – in fact, Glendale is one of the last cities in Maricopa County to increase its sales tax since the economic downturn began locally. According to the Model City Tax Code, the following cities have increased their sales tax during this time: Phoenix, Mesa, Tempe, Peoria, Paradise Valley, Buckeye, Cave Creek, Goodyear, Litchfield Park, Queen Creek, Tolleson, Wickenburg and Youngtown. The state of Arizona also raised its sales tax rate during this time to address its budget problem. In addition, 15 other Arizona cities outside Maricopa County – from Flagstaff to Sierra Vista – have increased their sales tax rates since 2006. Thus, cities and towns across the state have addressed their respective budget deficits by increasing sales tax rates.

The temporary sales tax is for the General Fund. What services does the General Fund provide?

The General Fund is the main funding source that provides many of the services and amenities that most citizens identify with, such as: police and fire protection, libraries and park facilities, court services, code compliance, planning, and economic development. **The General Fund provides funding for almost every department in the city,** paying for items ranging from electric and water bills on city buildings and parks, books and the operation of the city's three libraries, paint to cover up graffiti, the upkeep of the city's facilities and parks, such as mowing the lawn and irrigation as well as the wages for city workers to provide these services.



What has Glendale done the past few years to reduce expenses?

The city has taken a number of steps to be prudent financially and reduce expenses. Staff worked to ensure that most of these cost saving measures did not affect city services and quality of life amenities for residents. For example:

- Since fiscal year 2009, all departmental budgets have been cut an average of almost 27%.
- Since fiscal year 2009, the number of full-time employees has decreased from 1,501 to currently 1,132 – a decrease of 369 positions or 25% of the city's workforce.
- Mandatory furloughs for employees for fiscal years 2010, 2011 and 2012 created a savings of \$5.9 million.
- Some departments have merged to cut costs and share the workload.

Where does the money for the General Fund come from?

The General Fund's main source of revenue comes from taxes; either sales tax collected in Glendale or sales and income taxes collected by the state that are shared with the city. ***Due to the prolonged recession, these two sources of revenue have decreased dramatically in the past few years. In fact, current projected revenues are below 2004 levels.***

	<i>State Shared Revenue Distributed to Glendale</i>	<i>General Fund Sales Tax Collected by Glendale</i>
	2007-2008: \$66 million	2007-2008: \$61 million
	2008-2009: \$64 million	2008-2009: \$52 million
	2009-2010: \$57 million	2009-2010: \$51 million
	2010-2011: \$50 million	2010-2011: \$52 million

How much of the General Fund is used for “priority services” such as Public Safety?

Public Safety accounts for about 63% of the city's General Fund. The City Council recognized that public safety is a number one priority and acknowledged that there would only be limited budget reductions to protect these priority services.

How does the arena management fee for the city-owned Jobing.com Arena impact the need for the temporary sales tax?

The city owns Jobing.com Arena and with that ownership comes some fixed expenses; namely the annual debt payments on the arena and the costs to operate and maintain the building. For the current fiscal year, the cost of the arena management agreement is \$17 million. This cost adds to the overall expenses in the General Fund, but does not make up the entirety of the projected deficit that is being addressed through the sales tax increase. ***The need for the sales tax increase would still exist even without this arena management expense.***

Where can I find more information on the city budget and how the city spends its money?

- The city's website is a great source of information: www.glendaleaz.com
- To review the current city budget, as well as previous budgets, go to the Budget Department site at www.glendaleaz.com/budget
- Financial reports are available at www.glendaleaz.com/finance
- “Follow Your Money” – An online tool with detailed information on all financial transactions of the city and a searchable database for all city expenditures can be found at www.glendaleaz.com/FollowYourMoney

